

In the matter of:)
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Business Meeting)
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WEDNESDAY, FEBRUARY 19, 2003

10:00 A.M.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

James Boyd

William J. Keese

Arthur H. Rosenfeld

John L. Geesman (via speakerphone)

STAFF PRESENT

William Chamberlain, Chief Counsel

Robert Therkelsen, Chief Deputy Director

Betty McCann, Secretariat

Marwan Masri

Melissa Jones

Tony Brasil

Alec Jenkins

Lou Quiroz

Daryl Mills

Sue Kateley

PUBLIC ADVISOR

Grace Bos

ALSO PRESENT

Bill Carlson
California Biomass Energy Alliance

Bob Ellery, Director Energy Resources
Sierra Pacific Industries

Phil Reese
CBEA

Kent Duysen, President
Sierra Power Corp.

ALSO PRESENT, continued

Tandy McMannes
Kramer Junction Company

Les Nelson, Executive Director
California Solar Energy Industries Association

Martin Webb, Owner
Plan It Solar

Daniel Pellegrini, President
CC Energy

Steven Kelly
Independent Energy Producers

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P R O C E E D I N G S

CHAIRMAN KEESE: Call this meeting of the Energy Commission to order. Please take your seats.

Let's do the Pledge of Allegiance.

(Thereupon, the Pledge of Allegiance was recited in unison.)

CHAIRMAN KEESE: Thank you. This is a busy day for the Commission. Commissioner Pernell is in El Segundo conducting a powerplant siting case that I joined him in yesterday and I'm here today. Mr. Geesman is in San Joaquin conducting a powerplant siting case. Commissioner Rosenfeld is on but you've got three of us. Mr. Rosenfeld decided to give up his dental appointment, his much needed dental appointment, to be here.

Commissioner Geesman is on the phone.

COMMISSIONER GEESMAN: Hello.

CHAIRMAN KEESE: John is on the phone. So without ado, we will go to Item 3, Guidelines for the Renewable Energy Program, possible adoption of proposed guidelines for the continuation of the Renewable Energy Program under SB 1038.

1 Mr. Masri.

2 MR. MASRI: Good morning, Mr. Chairman,
3 Commissioners.

4 We are here today to launch a new phase in
5 the Renewable Energy Program that began in 1998.
6 Just to go back in time a little bit, how did we
7 get here? The first program was to expire at the
8 end of 2001, the Commission funding for it. In
9 2000, the Governor signed SB 1194 that extended
10 the funding for public goods charges, including
11 renewables, for until 2012. However, it required
12 this Commission to submit an investment plan for
13 how we would use the funding for the first four or
14 five years of that ten.

15 We did that, we submitted the investment plan
16 in June 2001 to the legislature. The collection
17 of the funding was authorized to begin January
18 2002, and it did begin. The anticipation was this
19 Commission would give the authorization to begin
20 to administer the program without a gap beginning
21 in January 2002, and to do that we needed another
22 piece of legislation to authorize that
23 administration. That was anticipated to be in the
24 fall of 2001. That did not pass and was delayed

1 one year.

2 So in September of 2002, September 12th, SB
3 1038 was passed and signed by the Governor that
4 then authorized this Commission to administer the
5 program for the next five years, based on the
6 investment plan as modified by the Senate Bill
7 1038.

8 Between that date and today, it's about four
9 months, five, quite a bit of things were done to
10 comply with that legislation. On October 16, we
11 sent out a notice of workshop to all parties and
12 in the notice we included a comprehensive set of
13 questions that we wanted parties' answers to in
14 order to develop balanced documents to administer
15 this program. We held staff workshops in October
16 and November to receive those inputs and comments.
17 On December 2nd, a notice of Committee hearing was
18 mailed out with the draft guidebooks utilizing
19 what we got from the public and other stakeholders
20 for a Committee hearing that took place December
21 12th and 13th.

22 A month later roughly, on January 17th, we
23 sent out the guidebooks that are before you today
24 for adoption that include the committee

1 consideration of all the comments received verbal
2 and written, at the workshops and other means.

3 What you have before you today, just as a
4 reminder, we have basically five accounts in the
5 Renewables program. You have the guidebooks for
6 three of those for adoption today, and those are
7 the emerging account, on-site generation
8 incentives, the existing account that assists the
9 existing generation projects to remain
10 economically viable, and a customer education
11 account.

12 The other two, the new accounts, is very
13 intricately tied into the RPS implementation, and,
14 therefore, will be developed as that process
15 proceeds and it progresses enough for us to
16 determine how to best use the funding for the new
17 account. And the fifth and last account is a
18 customer credit account. SB 1038 required this
19 Commission to report to the legislature on the
20 recommendation on what to do with that account
21 given the close and direct access and so on. This
22 is an account that funded consumers who want
23 direct access and purchased renewable energy.
24 That recommendation will be coming before you in

1 the next month or two to take action on.

2 We have done this development of guidebooks
3 in the first phase, we're doing it again, and it's
4 always a big challenge and a very difficult task
5 to strike a very delicate balance. The balance is
6 between conserving public funding and providing
7 enough incentives for renewable industry to
8 develop and contribute its role to California, its
9 energy mix.

10 It is always a challenge to make decisions
11 that will basically strike that delicate balance.
12 We think the committee documents before you today
13 reflect a full consideration of all the inputs
14 that we received and strike that good balance
15 that, if you adopt it today, we think we can carry
16 on work that we began in 1998 together with the
17 renewable industry retail goals that are set forth
18 in our investment plan, as well as any renewable
19 portfolio standard bill.

20 You will hear comments today and inputs from
21 stakeholders. I can say that we have heard most
22 of those, if not all, before. The committee has
23 considered most of those comments in the documents
24 before you. We have been working with the parties

1 very hard since the beginning of this process, all
2 the way until yesterday, trying to resolve issues
3 to the mutual satisfaction of the Commission and
4 interested parties.

5 There's a piece of document that makes a
6 change in the existing account on the back table
7 that basically resolved an issue that addresses
8 how do we incorporate time differentiation into
9 payments to an existing account as required by SB
10 1038. Other than that, we think that what you
11 have before you here today really addresses all
12 the concerns that we've heard and gives the
13 committee's best attempt at striking a balance
14 between funding and -- efficient funding, that is,
15 of the public goods charter.

16 I'd be happy to respond to any questions you
17 may have. I think we have another piece before
18 you for your adoption today besides the
19 guidebooks. This is new for the renewables
20 program and reflects the influence of the new
21 committee. We do have a decision document that
22 lays out the rationale for the decisions that the
23 committee is proposing before you today. That is
24 also proposed for adoption with modifications

1 consistent with the changes that we're offering
2 today on some of the accounts.

3 CHAIRMAN KEESE: Mr. Masri --

4 MR. MASRI: I'm sorry, my indispensable
5 attorney here reminds me that there's also the
6 fourth guidebook for all guidebooks which governs
7 the legal framework for administering the program,
8 most importantly, it's also up for adoption. We
9 have not received too many comments on that, so
10 really that document has not changed from day one.

11 CHAIRMAN KEESE: For clarification purposes,
12 the committee adopted and sent out, or the
13 committee recommended the guidebook. Is the
14 committee recommending any specific changes.

15 MS. JONES: We are. The committee is
16 recommending the one specific change that we
17 consider to be a technical change to the time
18 differentiation.

19 CHAIRMAN KEESE: Okay. Since there's
20 probably somebody in the audience who is concerned
21 about that.

22 MS. JONES: Uh-huh.

23 CHAIRMAN KEESE: Is there any more
24 clarification of that that's necessary before we

1 start testimony?

2 MR. MASRI: I believe the parties are aware
3 what we're proposing and they feel what we're
4 doing --

5 CHAIRMAN KEESE: So what the committee is
6 recommending is adoption with that change?

7 MR. MASRI: Yes. I can summarize that
8 change.

9 CHAIRMAN KEESE: Yes, that would be nice.

10 MR. MASRI: In that basically what we had
11 proposed initially, what you have in the
12 guidebooks, is that payments to existing account
13 would be done as it was done in the past, that in
14 every month we look at the average monthly price
15 received by the project and then compare that to
16 the target price, and then pay the smaller of
17 three values. One is the difference between
18 target and market, and the other one is the cap
19 established in the guidebooks, which is one cent.
20 And the third, if there's not sufficient funds to
21 do either one of those, we would simply stated
22 divide the money available by the generation and
23 pay out that amount. So whichever amount is less.
24 The time differentiation, instead of looking

1 at the monthly average price received by a
2 project, will now look at subperiods within that
3 month, an on-peak, off-peak, super off-peak, three
4 or four periods, I believe, depending on the
5 project and the utility, and will compare the
6 prices in those subperiods to the target. Rather
7 than an average monthly, we'll now break it down,
8 which is something that 1038 required us to do,
9 time differentiation. We think we fulfilled that
10 requirement and also responded to the concerns
11 raised by the parties by doing that.

12 CHAIRMAN KEESE: Thank you.

13 Commissioner Boyd.

14 COMMISSIONER BOYD: Mr. Masri, let's review
15 again one more time for the record and for the
16 audience then the documents that are before the
17 Commission today for action. There is the
18 Committee Decision Summary, which you
19 referenced --

20 MR. MASRI: Yes.

21 COMMISSIONER BOYD: -- which tries to
22 incorporate all the incidents taking place over
23 the last several months and the recommendations of
24 the committee, but with the modification that you

1 just advised the Commission and the audience
2 regarding the time difference and there is in the
3 back of the room for everybody a striked out and
4 underlined set of revisions that the staff is
5 recommending to the Commission be adopted as
6 modification to the decision document and we've
7 reflected it in an appropriate guidebook. And I
8 have in front of me also an errata page with a few
9 minor technical amendments or adjustments to
10 language throughout the emerging program
11 guidebook. And then we have the guidebooks that
12 are subject to action today, all before the
13 Commission and available to the public; am I
14 correct?

15 MR. MASRI: Thank you, a very complete and
16 comprehensive description of what's up for
17 adoption, yes, that is correct.

18 COMMISSIONER BOYD: Thank you.

19 CHAIRMAN KEESE: Thank you. I have nine blue
20 cards in front of me and it seems -- Mr. Masri,
21 help me, you say their comments will probably be
22 divided into, the specific comments will be
23 dividing into biomass and solar, is that --

24 MR. MASRI: I believe, yes, Tier 1 projects,

1 solar, thermal and biomass, you would have
2 comments from those. That would be a good set.
3 And then emerging account, federal parts industry
4 and the small wind would be another set.

5 CHAIRMAN KEESE: Okay. Since I can't
6 distinguish these actually where we're going, why
7 don't we start with the Tier 1 issues. So if I
8 call on somebody who wants to speak to the later
9 issue, would you let me know and we'll hold off
10 and take Tier 1 issues first.

11 Mr. Bill Carlson, please.

12 MR. CARLSON: Chairman Keese, Members of the
13 Commission, I appreciate the opportunity to speak
14 today. In the interest of keeping the number of
15 blue cards down, I will be representing today the
16 California Biomass Energy Alliance.

17 But we were asked by Mr. Boyd, as a matter of
18 fact, to introduce some of the other members that
19 are here today that I will be representing. They
20 include Ralph Sanders of H.L. Power, a 30-megawatt
21 plant in Lassen County; Bob Ellery of Sierra
22 Pacific Industries, who has 56 megawatts spread
23 between Placer, Shasta, Lassen, Tuolumne, Sierra,
24 and Plumas Counties; Paul Wood of Covant Energy,

1 who has 58 megawatts in Butte, Shasta, Lassen, and
2 Tuolumne Counties; Phil Reese of Colmac Energy
3 with 47 megawatts in Riverside County; Kent Duysen
4 of Sierra Power with 15 megawatts in Tulare
5 County; and Bob Moreno and Rick Steed of Fairhaven
6 Power with 17 megawatts in Humboldt County; Mike
7 Green and John Prevost of Pacific Lumber with 25
8 megawatts in Humboldt County; Bob Escalante of the
9 two Rio Bravo plants totalling 50 megawatts in
10 Fresno and Placer counties; Joe Hibler of ADS, who
11 has 75 megawatts in Kern and Fresno counties; and
12 Steve Artis of Watem Energy with 26 megawatts in
13 Colusa county. My company, Willabrator, has 78
14 megawatts spread between Shasta and Amador
15 counties. And if I missed anyone, I apologize for
16 that. And I also represent some of the solar
17 facilities, but they will also speak for
18 themselves.

19 The California Biomass Energy Alliance or
20 CBEA would like to thank the Renewables Committee
21 members and staff for their tireless efforts and
22 work on the Committee Draft Guidebook for the
23 Eligible Tier 1 existing renewables. CBEA
24 believes the changes made since the first draft

1 and what was presented by Mr. Masri today related
2 to the calculation method go a long way to
3 satisfying all the conditions required in SB 1038,
4 which were designed to, quote, "secure for the
5 State the environmental, economic, and reliability
6 benefits that continued operation of those
7 existing renewable facilities will provide."
8 Unquote.

9 In the same spirit, the CBEA respectfully
10 requests your consideration of three small
11 additional items. The first is consideration of
12 inflation. The CBEA believes the CEC is not
13 consistently following it's own logic when
14 considering increasing target price with
15 inflation. The Commission's June 2001 report to
16 the Governor and Legislature proposed to raise the
17 target price for 2002 to 2006 from SB 90 levels to
18 5.5 cents per kilowatt hour due to inflation.

19 This earlier report also cites the
20 Commission's experience with the target price and
21 its impact on Tier 1 generation. The report noted
22 that decreasing the target price to 4 cents
23 resulted in decreased Tier 1 generation, and
24 conversely saw an increase in generation when the

1 target price was subsequently raised to five cents
2 in October 2000.

3 When the report proposed 5.5 cents for 2002
4 through 2006, Tier 1 facilities, specifically
5 biomass, responded by generating a modern record
6 4.1 billion kilowatt hours in 2002. The February
7 '03 Committee Draft Guidebook reversed this
8 position and reduced the target price for 2003-
9 2006 from 5.5 to 5.37, due to changes in market
10 conditions since the June of 2001 report was
11 published.

12 The Tier 1 technology submit that electrical
13 market conditions, which have indeed changed, have
14 nothing to do with the price required to sustain
15 Tier 1 renewable generation. The market
16 conditions that do, in fact, impact Tier 1
17 facilities' cost of operation are primarily
18 related to its fuel cost. Fuel costs have been
19 estimated, due to double digit increases in
20 workers' compensation, medical and liability
21 insurance, cost of living salary increases, and
22 most recently diesel fuel cost increases.
23 Additionally, the June 2001 report stated that the
24 Commission will also monitor cost shifting

1 activities and may reduce the target price as
2 warranted.

3 The June 2001 report acknowledged no cost
4 shifting had occurred up to that point and we
5 submit that it has not occurred to date. The fact
6 that inflation has not reversed itself since the
7 June 2001 report, the market conditions that do
8 affect Tier 1 generators have increased and
9 continue to increase annually, and that no cost
10 shifting has occurred, provides full justification
11 for inflationary adjustments of the target price.
12 CBEA recommends mirroring the language set forth
13 in AB 995/SB 1194 which requires the collection of
14 the public goods charge, quote, "be adjusted
15 annually at a rate equal to the lesser of the
16 annual growth in electric commodity sales or
17 inflation as defined by the Gross Domestic Product
18 deflator." End quote.

19 The second item is DWR contract holders.
20 While the above solutions addressed with 5.37 cent
21 utility contracts, there are still a small number
22 of biomass plants totalling 43 megawatts operating
23 under DWR contracts. These plants, as newly
24 restarted facilities, have costs that make it

1 difficult to continue operation. CBEA recommends
2 paying facilities with DWR contracts the same
3 amount per kilowatt hour of generation as is
4 received by other Southern Cal Edison plants with
5 5.37 contracts on a monthly basis to assure they
6 can continue to operate and produce the maximum
7 amount of generation possible.

8 And the last item is the determination of
9 market price. The guidebook states that, quote,
10 "The market price will be determined by the Energy
11 Commission, based on the actual energy price
12 received by the facility." End quote. However,
13 this is not applied consistently. CBEA recommends
14 that Tier 1 facilities receiving the SRAC of the
15 appropriate utility be paid based on SRAC, in
16 accordance with the adopted target price and cap.

17 For solar thermal facilities that signed
18 substitute SRAC agreements and received 75 percent
19 of payments based on 5.37 cents per kilowatt hour,
20 and 25 percent of payments, based on short run
21 avoided energy costs, the market price should be
22 5.37 cents for the 75 percent portion of their
23 output and the time-weighted average SRAC specific
24 to Southern Cal Edison for the 25 percent portion

1 of their output.

2 Determining a market price other than those
3 actually paid is factually incorrect, factually
4 inaccurate, as well as inequitable. It is quite
5 simple to make payments to the solar thermal
6 facilities based on the actual payments made to
7 such facilities by the utility, rather than using
8 the price paid for a majority, but not all, of
9 their output, as is currently written in the
10 guidebook. There's no reason to determine a
11 market price, for the actual market price paid is
12 verifiable on the utility statements.

13 So, in conclusion, the biomass and solar
14 thermal industries understand the burden imposed
15 on the Commission in handling numerous generating
16 facilities each month in any but a relatively
17 straight-forward manner. We greatly appreciate
18 the time the Renewables Committee and staff has
19 spent with us to resolve these outstanding issues.
20 The eligible Tier 1 renewable facilities
21 respectfully request the Commission accept the
22 above recommendations which we believe comply with
23 SB 1038, as well as maintain the legislature and
24 the CEC's support for continued operation of

1 existing renewables for the purpose of retaining
2 the environmental, economic, and reliability
3 benefits that continued operation of these
4 facilities provide. Thank you.

5 CHAIRMAN KEESE: Thank you.

6 Commissioner Geesman.

7 COMMISSIONER GEESMAN: Well, would you like
8 Marwan to respond or why doesn't Marwan take the
9 first try.

10 CHAIRMAN KEESE: Thank you. Mr. Masri.

11 MR. MASRI: Thank you, Commissioner Geesman.

12 As I mentioned, these issues have been raised
13 in committee and the staff before, and they have
14 been given very good thought. And on the
15 information side of things, the decision documents
16 before you today say that we will revisit this
17 issue in the future and see if additional
18 adjustments is actually warranted.

19 In the previous program, to remind the
20 Commission and parties, the highest target price
21 for biomass and solar thermal was 5 cents. It is
22 now 5.37. So it has gone up from its highest
23 level in the previous program. We have said in
24 our investment plan that we may revisit the target

1 price and readjust it based on market development.
2 We specifically culled out the negotiations at the
3 time for the 5.37 five-year contracts. That would
4 be one development that we will reexamine the
5 target price and make adjustments based on that.
6 And, in fact, that's one of the adjustments we did
7 but going down from 5.5 recommended target price
8 in the investment plan to 5.37 is the existence of
9 this agreement.

10 Now, this agreement, the program here really
11 its basic purpose for existing was to protect
12 these projects from the risk of market variation
13 and fluctuation. So we had initially in the first
14 four years said no project on a fixed-price
15 contract, energy price contract, would be
16 eligible. They are only eligible when they go
17 into the variable price portion in the eleven and
18 they are subject to risk. We would provide that
19 safety net to these targets.

20 The fact that the 5.37 is fixed for five
21 years has value, it has no risk in it, it's a
22 known revenue for these projects. And with the
23 time differentiation and with the capacity most of
24 the projects receive, we think that at this point

1 inflation of the target price may not be warranted
2 and that the inflation affects many things, and
3 not just the cost of generation. It could affect
4 the revenue.

5 If inflation raises the cost of fuel, but at
6 the same time we argue that there is an
7 improvement in productivity where less fuel is
8 needed, that doesn't necessarily translate in an
9 increase in fuel cost of operation. And that we
10 look forward to engage the industry in the future
11 with discussions on this issue. We think there's
12 a good reason why inflation should be introduced
13 into the target price. The Commission has that
14 option to do it at this point, but we don't think
15 there's a sufficient case that exists today to do
16 that based on the information.

17 CHAIRMAN GEESMAN: I'm gathering that the
18 response to the inflation is that rather than
19 targeting today as to what you anticipate
20 inflation to be over the next four years, you're
21 saying the committee will review it and virtually
22 annually?

23 MR. MASRI: Yes. We said we'd revisit it.
24 We could do it annually or so long -- this is a

1 living document, I'd like the emphasize this, and
2 the Commission has the ability to respond to
3 changes, if there's good factual basis for taking
4 action for change, if we do today. There is --

5 CHAIRMAN KEESE: Okay. I think that's good
6 enough.

7 Commissioner Boyd?

8 COMMISSIONER BOYD: I just want to point out
9 therefore that the decision document reflects, the
10 Commission's decision document reflects what the
11 staff has just indicated and the changes to the
12 guidebook that have been distributed today,
13 there's a specific sentence indicating the
14 committee's plan to revisit the inflation
15 adjustment in the future as has been indicated by
16 Mr. Masri.

17 CHAIRMAN KEESE: Thank you.

18 Commissioner Geesman, would you care to
19 comment on this specific issue?

20 MR. MASRI: And if I may -- I'm sorry, I
21 could come back to the other points then later.

22 CHAIRMAN KEESE: Yes, you can come back to
23 the other points. On this subject of inflation,
24 Commissioner Geesman?

1 COMMISSIONER GEESMAN: I think that
2 Commissioner Boyd and Marwan have addressed my
3 issues.

4 CHAIRMAN KEESE: Thank you. Mr. Masri, on
5 the issue of DWR contract holders?

6 MR. MASRI: The so-called orphan projects,
7 now to the extent that these projects are out in
8 the market selling at, you know, their output on
9 the spot market, they are covered by our program,
10 and the program will pay the difference between
11 what they receive and target, subject to the cap
12 that we have in our guidebooks. To the extent
13 that they receive a price above the target,
14 whether it's through a contract or in the market,
15 then, again, they won't be covered. Again, the
16 system applies to any projects really, it does not
17 distinguish between the so-called orphan projects
18 or the ones that have the approximately seven. It
19 has a target price and a market price and there's
20 a difference between the two. So to that extent,
21 I think those projects are covered by our system.

22 CHAIRMAN KEESE: Mr. Carlson, does that --

23 MR. CARLSON: Go to your last point, if you
24 would, Marwan, and I'll just summarize just for a

1 moment.

2 CHAIRMAN KEESE: All right.

3 MR. MASRI: Okay. As far as the solar
4 thermal, the last point raised was for solar
5 thermal facilities, they do use up to 25 percent
6 natural gas in their generation. And on that
7 portion of generation, they get paid the Short Run
8 Above Cost or SRAC. For our purposes, we
9 considered the whole output renewable, and so long
10 as they don't exceed the 25 percent fossil. So
11 the incentive is paid on the whole output, whether
12 it's produced by gas or solar.

13 The question of burning gas in solar thermal
14 plants, the way we understand it, is it enables
15 those plants to earn capacity payments, full
16 capacity payments. I think if they not burn gas,
17 they will not be able to earn those capacity
18 payments, because they're not guaranteed output at
19 certain times. And there are two points here.
20 One is the capacity payments revenue that they
21 receive as a result of burning the gas, although
22 we understand or the claim is that the energy
23 generated by using gas, these projects make a loss
24 on that energy because they get paid on a heat

1 rate that is lower than the heat rate that they
2 use, and, therefore, for each kilowatt hour they
3 generate with gas, they make a loss. That's the
4 issue that's presented to us. But we think that
5 the earnings capacity revenue that's enabled by
6 burning that gas at some loss more than offsets
7 that loss. That's number one.

8 Number two is as the natural gas price goes
9 up, the problem for the gas portion of the solar
10 projects gets exacerbated, I mean, because the
11 difference between their heat rate and the heat
12 rate they get paid on is there. However, the
13 higher the gas price, the greater the loss, if you
14 will, on the gas portion of the generation. But
15 the higher the gas price, the higher the SRAC and
16 the less money we will pay, so that we will not be
17 able to help those projects when the gas price is
18 really high, because at that point, SRAC would be
19 higher than our target and we will not be able to
20 help them when they need to help most.

21 What they're asking for is help in times that
22 they need the help least, which is when gas prices
23 are low and their loss they make on that revenue,
24 we don't think is that significant, but in any

1 case it's made up by the earnings on the capacity
2 side. So we have considered all of these issues
3 and the committee has reevaluated this and, again,
4 is proposing something that we think is fair and
5 reasonable.

6 CHAIRMAN KEESE: Thank you.

7 Commissioner Boyd.

8 COMMISSIONER BOYD: Well, I just want to
9 reinforce Mr. Masri's last comment, relative to
10 this particular issue. I think the committee
11 agrees with the analysis provided by the staff.

12 On the DWR contract holders issue or the
13 orphan projects, as they've been know of as
14 lately, that is a very serious concern to us. And
15 I think we even threatened to the extent that we
16 can at the present time there's a lot of
17 uncertainty with regard to what is going to be the
18 future of these stranded or orphan projects, and I
19 think I would indicate that the committee shares
20 the concern and wants to follow this issue, but at
21 the moment with so many other decisions pending
22 that would affect the outcome of this situation,
23 we've opted to just leave the situation as
24 described, with the comment that I had intended to

1 make to this group that the committee does have a
2 real concern about the particular projects are
3 very important to the environmental and the
4 economic welfare of the state and we reserve the
5 right to revisit the issue when some of the other
6 decisions have been made by a sister agency.

7 CHAIRMAN KEESE: Thank you.

8 Commissioner Geesman.

9 COMMISSIONER GEESMAN: I would echo
10 Commissioner Boyd's comment that we continue to
11 get -- that Mr. Masri read the reasoning of the
12 committee quite well.

13 CHAIRMAN KEESE: Thank you.

14 MR. CARLSON: Just a quick response. Mr.
15 Chairman, just a quick response, if I could.

16 I think we have a great deal of faith that
17 this Commission will indeed revisit the inflation
18 issue probably on an annual basis. We've been
19 there before with you, we have a long-standing
20 relationship with this Commission, and the example
21 I cited where we actually raised the target price
22 back up to 5 cents in 2000, it is indicative that
23 you do look at the economics of our industry and
24 try to allow us to operate basically at the

1 margin, which is what this whole program is all
2 about.

3 Relative to the DWR contracts, just one more
4 point for your consideration. It really is the
5 lack of capacity payments that make those
6 facilities unique. The DWR chose to pay them on
7 basically an all-in basis where most of the rest
8 of us have an energy component or a capacity
9 component and that capacity component is very
10 significant to most of us. And that is really
11 what makes it difficult for them to deal with in
12 this program is that they get a relatively high
13 energy payment but no capacity payment. And
14 that's why we're asking for the treatment of them
15 to give them a relatively low fixed energy
16 supplement, which may only amount to two-tenths to
17 four-tenths of a cent on an annual basis, but
18 something to help them deal with that lack of
19 capacity payments.

20 And then relative to solar facilities, I'll
21 certainly let them speak for themselves more in a
22 few moments, but we just think the language is
23 relatively simple that there's a known formula
24 they're paid on, but yet we're artificially

1 creating a payment that's not really there in
2 order to judge whether they get a supplement. And
3 it just seems that the language is relatively
4 straight forward and easy for the staff to deal
5 with in looking at 75 percent of their output,
6 compared to the target price, and 25 percent of
7 their output compared to the target price on their
8 actual payments. That was all.

9 CHAIRMAN KEESE: Thank you.

10 MR. CARLSON: Thank you very much.

11 CHAIRMAN KEESE: I would make a general
12 op/ed. I have heard that the committee accepts
13 two out of three issues as issues that are still
14 on the table and we have to look at, seventy five
15 to a third. I would just observe that as we head
16 into this new renewable portfolio standard era, we
17 do anticipate that changes in this market will
18 take place as each utility attempts to add one
19 percent a year, and as the committee struggles
20 with how we're going to do that for new sources.
21 So I think the Committee has expressed an interest
22 and flexibility. I believe that that's what we'll
23 see from the Committee.

24 MR. CARLSON: Thank you very much.

1 CHAIRMAN KEESE: You listed some names and I
2 attempted to -- are you indicating these people do
3 not plan to testify?

4 MR. CARLSON: That's right.

5 CHAIRMAN KEESE: All right. Then I'm going
6 identify as Mr. Provost of Pacific Lumber, Mr.
7 Ellery is here from Pacific Industries --

8 MR. ELLERY: I do need to speak.

9 CHAIRMAN KEESE: All right. Mr. --

10 MR. ELLERY: Ellery.

11 CHAIRMAN KEESE: Fine.

12 MR. ELLERY: Thank you, Chairman Keese and
13 Commissioners. I just had one short issue that
14 deals with also the determination of market price.

15 Item Number 3 basically states that, you
16 know, if you're not under basically a utility
17 contract, you use the actual price, which is fine.
18 But then it goes on and confuses it and says but
19 in many cases this will be SRAC. Market prices
20 and SRAC are not the same. I'm not sure when you
21 use SRAC versus market prices. You know, a worse-
22 case scenario, you could change it every month.
23 So I would like to see that that second provision
24 is deleted.

1 Where we sell power in the open market, we
2 know what our actual price is at the end of the
3 month, it's easily calculatable. You know, the
4 fact that we're in PG&E service territory, I don't
5 know how that has any relation to what I'm getting
6 paid. I'd love to sell it to them, but they won't
7 take it. So my concern, quite frankly, is, you
8 know, market prices are right now significantly
9 below PG&E's SRAC because of high gas prices. And
10 we're going to get a situation where, you know,
11 we're getting, you know, power prices that are far
12 below the \$40 range and PG&E's SRAC is 60. So we
13 won't get any, you know, subsidy out of this
14 program because somebody decides to use this value
15 of SRAC instead of my actual price. So I'm just
16 asking that that second sentence be delated.

17 CHAIRMAN KEESE: Mr. Masri.

18 MR. MASRI: What we tried, again for
19 simplicity, one of the design features of the
20 program have been to trade off simplicity for
21 accuracy in many situations. Looking at each
22 project and their individual price that they get,
23 it's a little complex and the SRAC may sometimes
24 be a good proxy for what a project is getting. In

1 the previous program that all the participants
2 here would tell you worked fairly well, we just
3 used SRAC for all projects. When we said this is
4 the price that we assume that everybody will get,
5 and then we'd base on that.

6 Now, some projects got paid more than they
7 really deserved, some got paid less, but it worked
8 out that on the average it was a workable system.
9 To the extent that we don't know going forward how
10 many projects will be coming before us, if the
11 number of projects -- we know it to be less
12 because all Tier 3 is now no longer eligible,
13 based on the new legislation, so we have less
14 projects to deal with. To the extent that it's
15 admissible and not complex to look at each
16 project's price that comes before us and pay based
17 on that, we'll have to deal with that at that
18 point and just come back and make the appropriate
19 changes needed to allow us to do that.

20 But right now we think that the SRAC is a
21 good proxy for what the market price is and
22 usually in the past it worked pretty well for most
23 projects and of course continues to do that.

24 CHAIRMAN KEESE: Mr. Ellery, I take it that

1 this doesn't give you satisfaction?

2 MR. ELLERY: No. I have two facilities in
3 particular, I'm not sure how they're going to
4 handle either of them. I mean first off it gives
5 me uncertainty at best.

6 But I'll give you two examples. We've got a
7 biomass plant in Loyalton, California. We get
8 paid three cents a kilowatt primary, PG&E's SRAC
9 is six. Under Marwan's scenario, I'm not going to
10 get any subsidy, and, quite frankly, that's going
11 to shut that plant down. We cannot survive at
12 three cent energy. And we have another facility,
13 it's a new biomass facility trying to survive in
14 the open market, and, you know, again, the market
15 prices right now are significantly less than SRAC.
16 And so, you know, I just --

17 CHAIRMAN KEESE: Let me clarify. Are you
18 suggesting that the Loyalton plant is committed to
19 PG&E under contract?

20 MR. ELLERY: No. It's committed to Sierra
21 Pacific Power Corp.

22 CHAIRMAN KEESE: All right. And that's at
23 three cents.

24 MS. JONES: I think we need some

1 clarification here.

2 MR. MASRI: Let me clarify, Mr. Ellery.

3 CHAIRMAN KEESE: Mr. Masri.

4 MR. MASRI: To the extent we cannot determine
5 the market price that Bob's facility is receiving
6 in a clear manner, we will use the SRAC as a proxy
7 for that. If we can determine what he's receiving
8 and it's clear in his statement, then we have no
9 problem paying him based on that. And I think
10 that's allowable in our packets.

11 MR. ELLERY: That's fine.

12 CHAIRMAN KEESE: Okay. Thank you. I think
13 we've clarified that one.

14 MR. ELLERY: Thank you.

15 CHAIRMAN KEESE: Thank you. Again, I'm going
16 to, those people that I don't think are going to
17 testify. Mr. Phil Reese?

18 MR. REESE: That's correct.

19 CHAIRMAN KEESE: You're here.

20 Mr. Kent Duysen?

21 MR. DUYSEN: Good morning. My name is Kent
22 Duysen, representing Sierra Power Corporation in
23 Terra Bella.

24 First of all, I thank you for your time this

1 morning. I also want to say we fully support the
2 comments Mr. Carlson made on behalf of the Biomass
3 Association. We're one of the, I believe, three
4 DWR contract holders that are not benefitting from
5 holding an SO contract. It's been certainly tough
6 over the last two years trying to compete out here
7 in the market and we appreciate the State coming
8 forward and giving us these contracts.

9 As Bill tried to explain a minute ago, the
10 six and a half cents a kilowatt that we're
11 receiving appears to be over the 5.37 target. But
12 that's all we receive. We're at the point right
13 now, probably on an average about nine-tenths of a
14 cent per kilowatt being paid less than the bulk of
15 the biomass industry. On top of that, now we've
16 been cut out of the CEC funding program. We're
17 just headed probably very shortly for a big
18 trainwreck.

19 And I appreciate your comments, Commissioner
20 Boyd, that I think deserve some consideration down
21 the road to look at our plight. I would just urge
22 if we can start the discussions quite soon, it
23 would be very, very helpful.

24 The other issue is our DWR contract ends at

1 the end of June and none of us, none of the three
2 plants were picked up through the utilities
3 solicitation process.

4 CHAIRMAN KEESE: Thank you.

5 MR. MASRI: Yeah, it's an issue that we, as
6 Commissioner Boyd said, we intend to get back to
7 you and see and we get the message quickly, engage
8 in discussions, what we can do within our
9 statutory authority and guidebooks to help with
10 this issue.

11 CHAIRMAN KEESE: Thank you.

12 MR. DUYSEN: Thank you very much.

13 CHAIRMAN KEESE: Mr. Tandy McMannes.

14 MR. MCMANNES: Good morning, Chairman and
15 Commissioners. My name is Tandy McMannes, I'm the
16 Chief Financial Officer for Kramer Junction
17 Company, representing five solar and thermal
18 electric facilities located in the Mojave Desert.

19 My comments are both in support of and
20 further to comments made by Bill Carlson. And
21 after reviewing the proposed changes to the
22 Committee Draft Guidebook, I do have two issues
23 I'd like to discuss, and both of those pertain to
24 the pricing that we would receive, the market

1 prices being established for our natural gas
2 component.

3 I don't want to belabor the point, but I
4 think there's two distinctions I'd like to make.
5 The first one would be regarding the 2003 to 2006
6 period. When I received the updated changes to
7 the Renewable Draft Program, I didn't expect that
8 the 2003 to 2006 period they'd have any adjustment
9 to the price that is determined for our natural
10 gas portion of the output. I anticipated that the
11 market price would be as the model had previously
12 stated, and I pretty much drew that conclusion
13 from the Renewables Committee decision summary
14 that was just recently released.

15 In that summary, basically the staff says,
16 and I'll read from the statement here, "Incentives
17 from the RAP for the natural gas portion of these
18 facilities' generation are unlikely to incur a
19 significant increase in generation, because the
20 facilities were already at parity to achieve their
21 capacity payments."

22 Now, I would like to respectfully disagree
23 with that and I probably have failed in presenting
24 the case that I should have for Marwan and staff

1 for the period of 2003 though 2006. Marwan has
2 assured me this is living document that we will
3 have an opportunity at a later date to present
4 that case, and I hope to do that. He may disagree
5 with me at the end of the day, but he has given
6 the opportunity and I'm sure he will continue to
7 give me the opportunity to present the facts that
8 would dispute that statement.

9 What I'd like to do, though, is focus on
10 2002. Because when I did receive the changes to
11 the Committee Draft Guidebook, I was somewhat
12 concerned about 2002 because the very guidebook
13 itself does break out the period of 2002 from the
14 period of 2003 through 2006. Once again, in the
15 Renewable Committee Decision summary, there's a
16 portion of that that talks about retroactive
17 payments for the 2002 generation. If I can just
18 read just briefly from that document again, it
19 says, towards the bottom on page 7 it says,
20 "Parties indicate that the assurance of
21 productions was strong enough, given the staff's
22 March 8th, 2002, letter and other indications that
23 many counted on these incentives in their
24 financial decisions at the time," and we were one

1 of those. "Parties were acting upon expectation
2 of regulatory and program stability and certainty,
3 as reflected in the staff March 8th, 2002,
4 letter."

5 What I would like to propose is the
6 opportunity to allow me to work with Marwan on the
7 2003 through 2006 period at a later date and
8 attempt to convince him or to work with him to
9 show what our position is on that. But the more
10 immediate issue is with the payments expected
11 March 31st for the 2002 period. I'm curious why
12 we're not handling the 2002 generation
13 consistently with the whole approach. There were
14 statements on behalf of the CEC. There was the
15 March 8th letter. We worked with the Commission
16 and the staff, spoke with Commissioners. There
17 was a general expectation, and I think the
18 Commission has rightly recognized that, for the
19 period of 2000.

20 At no time during any of our discussions or
21 at no time did we read in the draft guidebook
22 released in June of 2001, that there would be a
23 bifurcation of our rates and that the rates we
24 actually received for generation would be

1 determined other than what is the actual market
2 rate. Marwan was just telling Bob Ellery that
3 when it's clear and definable what your rate is,
4 we'll use your rate. When your rate is not clear
5 and definable, we will revert to SRAC. Our rate
6 is both clear and definable and we want to revert
7 to SRAC, and I think we fit both of those
8 categories.

9 So what I'm asking this Commission to
10 consider today, given the immediacy of the payment
11 for March 31st, 2001, for 2000 generation, given
12 the fact that 2002 generation has been split out,
13 for the reasons of regulatory certainty in the
14 March 8th letter, I'd like you to consider that
15 point.

16 I have two other points I'd like to make.
17 There are nine solar facilities in all, I
18 represent five of them. Two other, the 80-
19 megawatt facilities, are very similar, their
20 production profile is ours. But there are two
21 other solar facilities who have a discount
22 contract. Those two facilities are going to
23 receive the added payment, comparing the discount
24 contract rate to the target price. So I ask the

1 question, I don't expect an answer, but I do ask
2 the question that how is our natural gas piece,
3 which is less than 5.37, and the natural gas piece
4 of the Harper Facility is also less than 5.37, any
5 less than a discount contract in the two
6 facilities that are going to receive payments for
7 their gas and their solar piece, comparing actual
8 market price to target price. To me, they really
9 are the same. If it's less than 5.37, it's a
10 discount, however the nature of the contract is
11 assigned and arrived at.

12 One other consideration, and I don't have the
13 exact number, I was speaking to staff and I
14 thought they said the number, correct me if I'm
15 wrong, just tell me here, I think someone had told
16 me the number, but I think there was close to 40
17 or so facilities that were going to sign up for
18 Tier 1 production incentives. I don't know if
19 that number is right, but it's certainly a
20 significant number of facilities were going to
21 sign up for that production incentive.

22 Only the Kramer and the Harper plants for the
23 2002 period are going to have a market price
24 that's established other than the actual market

1 price. So when it comes to the concept that the
2 CEC adopted for its 2002 generation, based on
3 implementing a system that's fair, implementing a
4 system based on regulatory certainty, based on a
5 system acknowledging discount contracts, in the
6 case they did on the other two facilities, it
7 seems to me that for this period we would like to
8 make a suggestion that the language for 2002
9 reflect that the price you receive for your energy
10 compared to the target price is what you would be
11 paying. Fully accept the burden that's been put
12 on me for 2003 through 6, the work of staff to
13 demonstrate that the incentives that we do receive
14 go back into the solar field and result in the
15 kind of generation we save, but I don't want to
16 get into the technical issues for 2003 through
17 2006 at this point, and I want to defer that until
18 a different time.

19 CHAIRMAN KEESE: Thank you. As not being on
20 the Committee, most of this presentation has been
21 technical.

22 MR. MASRI: It's technical for me too. I
23 think we have been in discussions with Tandy and
24 other stakeholders on this issue before. Again,

1 we need -- obviously, we're not convinced by the
2 information we've received. The 2002 generation,
3 again, as a reminder, the first decision by the
4 Committee was not to pay anything, because that
5 was generation that already occurred before the
6 passage of SB 1038. I think the Committee had
7 accommodated the parties by saying yes they had
8 raised legitimate concerns, and this is the
9 payment for the generation that had already
10 occurred before the passage of 1038.

11 Tandy is now talking about how we, you know,
12 precisely calculate that payment. And, again,
13 it's a metric that we're applying to everybody in
14 2002, and if we go for that retroactive, we even
15 have a different target price. We allowed five
16 and a half for the retroactive payment. It's a
17 whole different system that we're applying to
18 everybody, and going forward, it's a different
19 system altogether. So I think at this point we
20 don't think there's really a reason to change what
21 we have for 2002 retroactive payments. We
22 think --

23 CHAIRMAN KEESE: All right. So for 2002.
24 Now, for 2003 forward you're willing to look into

1 it?

2 MR. MASRI: We will be engaged in a
3 discussion with Tandy on how we might have reason
4 to adjust that.

5 CHAIRMAN KEESE: Thank you.

6 Mr. Boyd.

7 COMMISSIONER BOYD: Well, I just wanted to
8 indicate that it's been difficult for the
9 Committee to deal with this. We want the
10 Commission to keep faith with the reliance that
11 others had put on the year 2002. And in the
12 context of all the discussions going on in the
13 legislature and other places to resolve our energy
14 crisis and to deal with renewables, I think we
15 wanted for this administration keep that faith and
16 keep faith with the assurances and we split the
17 baby the best we could, so to speak. I appreciate
18 the dilemma, but that's what the decision maker
19 had to do.

20 CHAIRMAN KEESE: Mr. Geesman.

21 COMMISSIONER GEESMAN: I'd echo Commissioner
22 Boyd. I will say I was reluctant to give in to
23 the retroactive payment at all, but out of
24 consideration for the disruptiveness that this

1 might cause in the market, I was persuaded that it
2 was appropriate to rely on what I felt was
3 somewhat weak assurances previously that we try
4 and make retroactive payments. And at the end of
5 that, we split the baby the best we could. And I
6 think it was the appropriate thing to have done.

7 CHAIRMAN KEESE: Thank you. I guess that's
8 the best answer we can give you?

9 MR. MCMANNES: Just one response, please?

10 CHAIRMAN KEESE: Sure.

11 MR. MCMANNES: Regarding, and I want to make
12 sure the area is distinct, the 2003 period versus
13 the 2002. I mean Marwan and I have talked about
14 the 2003 forward period, and we will continue to
15 talk about it, and I understand that he doesn't
16 agree with my position on that and that's fine.
17 We don't need to discuss that further here. But
18 back on 2002, it isn't a question of the technical
19 element of whether we will or won't produce more.
20 I mean 2002 generation is already there. 2002,
21 the question is doing what's fair. That's the
22 whole concept behind the Committee supporting
23 retroactive payments.

24 CHAIRMAN KEESE: I think we've heard that.

1 MR. MCMANNES: Right.

2 CHAIRMAN KEESE: We've heard the Committee
3 say they did their best job to split the baby here
4 and --

5 MR. MCMANNES: Well, I just -- one of the
6 things -- okay.

7 CHAIRMAN KEESE: And I heard what you said.

8 MR. MCMANNES: Well, I truly differ and I
9 just don't understand why nine out of forty, but
10 those are my comments. Thank you.

11 CHAIRMAN KEESE: Thank you. And Mr.
12 McMannes, are you passing?

13 MR. MASRI: That was him.

14 CHAIRMAN KEESE: That's right. Sorry.

15 Then I'm going to try to, because I have --

16 MR. MASRI: Mr. Chairman, may I make a
17 suggestion. If you can ask for comments on
18 existing account, guidebooks, and the emerging
19 account guidebook, and cross off people that way.

20 CHAIRMAN KEESE: Right. I have four more
21 names. I have Mr. Pellegrini, Kelly and Nelson.
22 Was there anybody who wished to speak to the issue
23 we've just been talking about? No.

24 The existing?

1 Okay. Why don't we take Mr. Nelson.

2 MR. NELSON: Morning, Mr. Chairman, Staff and
3 Commissioners. Les Nelson with the California
4 Solar Energy Industries Association.

5 As you know, CalSEIA has been involved for
6 quite a number of years in both the development of
7 the enabling legislation for the emerging program
8 and the refinement and the development of the
9 program as it's progressed to the point that it's
10 at today. And we've recently addressed our
11 concerns about the proposed changes in minute
12 detail, both in person with the staff and
13 Committee, and also through documented comments.
14 So I think our concerns have been well-expressed
15 and I believe that staff has taken a careful look
16 at our concerns, particularly the summary document
17 that was recently distributed that went into some
18 of the thinking behind the decisions. I thought
19 that was a good document.

20 I believe the best way to put it is that the
21 guidebook at this point represents a mechanism we
22 can live with, however, proceedings at the PUC,
23 most notably the exit fee proceedings, and
24 possible proceedings at the legislature in this

1 upcoming session, may influence the success of the
2 program for the better or for the worse, depending
3 on their outcomes, and hence, might require a
4 response on a fairly short timeframe.

5 One of the changes that was made to the
6 program which I believe a lot of our membership
7 and I know CalSEIA as a whole expressed clearly
8 was that there was some certainty needed in the
9 reduction timeframe of the buy-down amounts. And
10 that was addressed, although we can differ on the
11 amount and how fast it goes, at least there is
12 certainty there. However, we may require, based
13 on some of these ongoing issues that developed in
14 these two venues, to create program adjustment
15 details on a realtime basis, rather than at some
16 predetermined six-month or twelve-month period, so
17 as to ensure that the program can continue forward
18 in a successful manner.

19 Two points that we made clearly, and which I
20 believe staff has indicated at least that they
21 would be willing to consider and likely adopt are
22 the convening of a working group to address both
23 unfinished business that's still under
24 development, such as the over 30K production

1 mechanism and other unknown changes, for instance,
2 what an exit fee change at the PUC might have on
3 the whole success of the program.

4 And so in closing, I'd suggest both of our
5 bottomline goals is to keep this program what it
6 is today, which is the most successful program in
7 the country.

8 Thank you.

9 CHAIRMAN KEESE: Thank you. Having witnessed
10 the activities over the last number of years with
11 different Commissioners on the committee, I think
12 they have been as expeditious as possible in
13 trying to deal with an on-time delivery of the
14 Renewables Program, and I think it is a model for
15 the country.

16 MR. NELSON: Thank you.

17 CHAIRMAN KEESE: Mr. Webb?

18 MR. WEBB: Good morning, and you'll have to
19 excuse the lack of a tie, I only have one and I
20 didn't want to get it dirty.

21 (Laughter.)

22 CHAIRMAN KEESE: That's fine.

23 MR. WEBB: I'm grateful to have the
24 opportunity for the direct communication with the

1 decision makers and I apologize for not bringing a
2 couple of concerns that I have to the earlier
3 forums that you have had. I didn't have the time
4 to do it. And based on the comments I make, maybe
5 disregard them if it would hold up the
6 implementation of the program, because that's
7 paramount at this point.

8 I represent Plan It Solar. I'm an owner of a
9 solar retail service, design, installation company
10 in Penn Valley, east of Sacramento. And our goals
11 are to make solar electricity easy and affordable,
12 because I see that those are the two main problems
13 in getting this type of renewable energy out
14 there, it seems complex and expensive. Which
15 seems to tie in with the CEC renewable energy
16 program goals of creating demand, reducing costs,
17 and the topic that I'm going to directly speak
18 about is extending the rebate to as many people as
19 possible by keeping caps on the rebate amounts so
20 that smaller amounts will go out but more people
21 will be allowed to get them. And I would be so
22 bold as to say I speak for many of the homeowners
23 and consumers. I sort of represent the rubber
24 meeting the road in some parts of the emerging

1 renewables program.

2 A couple suggestions that I'd like to make on
3 the rebate levels is in order to help create more
4 demand, I believe it's important to make sure that
5 we can allow these small systems under ten
6 kilowatts to be able to flourish and have enough
7 incentive to keep systems smaller so that we have
8 more rebates to offer to people. And I would
9 suggest that with the 15 percent reduction, what
10 has been offered with the new rebate levels is
11 four dollars a watt or a 15 percent reduction, if
12 it's a self-installed system to encourage
13 electrical contractors' work.

14 What I would like to propose is a 15 percent
15 reduction for systems that meet the emerging
16 renewable program between 10 kilowatts and 30
17 kilowatts, because I truly believe that the more
18 we have solar on people's homes, we will see a
19 rise in solar demand as opposed to hiding it in
20 many cases out in deserts or on rooftops and in
21 factories. There is definitely a place for that,
22 however, I want to remind everybody that as
23 speaking for many homeowners, it's important that
24 we have a certain amount of rebates available for

1 smaller systems. So I would encourage some
2 possible incentives in order to gear a lot of
3 rebates to the smaller homeowners who feel like
4 they're being shorted. I believe that the smaller
5 systems will encourage smaller rebates, which
6 means everyone will get more of a piece of the
7 pie, so to speak, of the long-term program.

8 The other thing that I would like to suggest
9 is I had a great deal of problem and homeowners as
10 well and people that would like to invest in
11 renewable energy with the uncertainty. Les Nelson
12 was speaking about needing a certain amount of
13 certainty, and I believe that the way that the
14 program is based such that the process first is to
15 reserve an amount without having a solar system
16 installed, then waiting to have it installed, and
17 then get the rebate, there is certainly going to
18 be for the staff of the CEC Renewable Program,
19 they're not going to know exactly when the money
20 is going to be, quote, "running out," as we saw at
21 the end of last year. It leaves a lot of people
22 in a lurch, and I would recommend instead of
23 decreasing the rebate levels every six months, to
24 decrease them once a year. That if we're willing

1 to do 20 cents per watt every six months, that
2 instead we do 40 cents a watt once a year, because
3 it's going to stem the tide of people rushing to
4 get rebates at the beginning of the year only to
5 find the yearly allocation running out later. On
6 top of the fact that what I'm personally seeing
7 right now, we have several people that would love
8 to invest in renewable energy, however, given the
9 backlog, we don't know if by the time we fax in
10 their application for reservation of money from
11 the CEC, they're going to have run out of the four
12 dollars a watt and these people will be stuck at
13 the 380 a watt.

14 So instead of having twice a year uncertainty
15 that we know will be there, I'd like to recommend
16 that we just have it once a year. It's going to
17 make it easier for the buyers, it's going to make
18 it easier for the sellers, and it will still meet
19 the goals of 40 cents a watt.

20 CHAIRMAN KEESE: Thank you very much for your
21 presentation. I'll just say that I think on the
22 issue of six months versus a year the train has
23 left the station.

24 MR. WEBB: Yes.

1 CHAIRMAN KEESE: I don't think -- Mr. Masri,
2 do you have -- can you --

3 MR. MASRI: Thank you, yes. We did have
4 those forums when we solicited ideas of the
5 interval and the amount of drop, and I think
6 that's the consensus we proposed and what we heard
7 in those workshops and hearings, suggestions as we
8 move forward are welcome. And, you know, as we
9 introduce changes to the guidebooks in the future,
10 maybe these are some of the things we can revisit.
11 But at this point, I think it's --

12 CHAIRMAN KEESE: Can you respond to the
13 specific comment about an application today and
14 not knowing whether it's going to be four dollars
15 or 3.80. Do we have any assurance you can give on
16 that issue?

17 MR. MASRI: Yes. This is the certainty that
18 we gave the market that they asked for. They know
19 the schedule of when a certain level or rebate
20 will be applicable, and once a reservation is
21 approved at a certain rebate level, they will get
22 that money after the 12 or 18 months, it's allowed
23 because of the projects. So we think we have
24 provided that certainty. And I think the

1 gentleman here is saying do it once a year instead
2 of twice a year.

3 MR. WEBB: And my response to that would be
4 that you don't have a certain number of people
5 that you know are waiting chomping at the bit to
6 fax reservations down come March 3rd, and that is
7 the level of uncertainty, because consumers are
8 aware. We've got a backlog of five months
9 possibly here, and so people are saying, well, we
10 got left --

11 CHAIRMAN KEESE: How soon do we respond?

12 MR. MASRI: Well, that's a first-come-first-
13 served system. We never know how many will be
14 coming through the door at any one point in time.
15 It's just how it designed no matter how we do it.
16 We just wait for the applications to come in.
17 Which means sometimes we get spikes, sometimes we
18 get low activity, and it's just the way it goes.

19 MR. WEBB: Which reinforces my point that
20 there is a definite level of uncertainty, and if
21 we could minimize it to once a year instead of
22 twice a year, I think that would be good.

23 CHAIRMAN KEESE: Okay. Thank you, Mr. Webb.

24 Mr. Dan Pellegrini.

1 MR. PELLEGRINI: My name is Dan Pellegrini
2 from CC Energy. I'd like to thank the Commission
3 for giving us an opportunity to speak today. I
4 have comments that are on the table in the lobby.
5 I can leave them with you as part of the record.

6 CHAIRMAN KEESE: Just to your left, Ms. Bos
7 will take it.

8 MS. BOS: Which document?

9 MR. PELLEGRINI: Okay. They're actually on
10 the table. I'd like to read from --

11 CHAIRMAN KEESE: Okay. That's fine.

12 MR. PELLEGRINI: -- a prepared statement.

13 Bob Krenzy would like to thank the California
14 Energy Commission staff for their hard work on the
15 Emerging Renewable Program guidebook. We have a
16 few comments about the draft supplied on January
17 11, 2003. If there are further inquiries, I'd
18 direct them to Scott Ragsdale at Cooperative
19 Community Energy, and I have the address on these
20 sheets.

21 I'd like to address the comments by section.
22 Section 2, the eligibility requirements, paragraph
23 F, system installation. The Energy Commission
24 intends to require that photovoltaic systems

1 installation contractors be certified to the
2 testing requirements of the North American Board
3 of Certified Energy Practitioners' photovoltaic
4 protocols, after these protocols are finalized.
5 We agree with this. We agree with the eventual
6 adoption of certification for installers. This
7 certification should not prove to be an
8 administrative hurdle for the currently qualified
9 installers that we work with. Also the timing of
10 certification of the adoption should allow
11 California professional associations the time to
12 influence requirements prior to any required
13 certification. We'd just like to have that time
14 period in there to allow people to adjust to that.

15 Item number 2, this is section 2, what are
16 the eligibility requirements, paragraph H, is the
17 system performance meter. We are in favor of the
18 performance meter requirements, so long as the
19 information recorded remains the property of the
20 purchaser. The CEC may want to audit system
21 performance and even collect aggregate data in CC
22 Energy's reports, but to be an effort to collect
23 anonymous data aimed at improving quality. CC
24 Energy, however, does not want to see the metering

1 requirement used by any party as a means to
2 establish a fee or tax on the production of solar
3 energy.

4 While the implementation of usage fees and
5 the like are not part of the CEC's authority, we
6 would ask that the CEC take extra steps to remain
7 neutral to any influence that would allow net
8 metering, the usage of tax on solar energy
9 production.

10 CHAIRMAN KEESE: Thank you.

11 MR. PELLEGRINI: Item 3, incentives offered
12 through this program. CC Energy feels that the
13 amount of rebate and the relative allocation of
14 the size of solar systems is fair. In other
15 words, the smaller systems receive a larger
16 portion of the total available rebate than larger
17 systems. We also agree that the program's attempt
18 to sustain rebate availability by gradually
19 reducing the amount of rebates over time is
20 correct.

21 The last item is the reservation process.
22 This would be section 4, Item 2, page 11. This is
23 the evidence of agreement to purchase. The
24 background on this is that we're a buyers coop and

1 we purchase on behalf of our members. We work
2 closely with the community, a network of
3 installers to do the actual installations. We
4 agree with all the reservation requirements
5 regarding equipment descriptions, price
6 information, physical address and payment terms,
7 however, we disagree with the proposed requirement
8 to provide a signed purchase agreement from the
9 contractor for the labor involved.

10 We gain a financial commitment from our
11 purchasers in the form of a signed purchase
12 agreement for the equipment and a deposit on the
13 equipment. With this commitment we will then
14 introduce our members to the list of prequalified
15 installers to do the actual installation. We ask
16 our members to get multiple signed bids from the
17 various qualified installers for their project.
18 This provides assurance that they're going to be
19 getting a better price for the installation. And
20 once a bid is accepted, it's a contract. Having
21 to go back to the contractor and the purchaser for
22 two additional signatures puts an unnecessary
23 burden on this reservation process.

24 Our proposal then would be to have a signed

1 contract for the labor to install the renewable
2 energy system should not be a requirement for the
3 reservation application. We already have a signed
4 purchase agreement and we'd like to have that
5 signed purchase agreement from the retailer be
6 adequate so long as it's accompanied by all the
7 other documentation specified in the draft
8 guidebook.

9 CHAIRMAN KEESE: Thank you very much.

10 Mr. Masri, a new wrinkle?

11 MR. MASRI: I would like to ask Tony Brasil
12 to come respond to this as it's in great detail.

13 MR. BRASIL: Part of the reason to have the
14 contract is to simply determine whether they would
15 get the full \$4 dollar lot rebate or the owner-
16 installed incentive without an agreement to have
17 the installation done, we wouldn't know which, and
18 it would potentially unnecessarily reserve extra
19 money that an owner-installed would not be
20 claiming. So that was an attempt to make sure
21 that we had again a commitment to make the
22 purchase before we set that extra 15 percent
23 aside.

24 CHAIRMAN KEESE: Well, I would actually

1 suggest some conversations here, because it sounds
2 to me like that they have an agreement to
3 contract. Let me submit they have an agreement to
4 contract, so they're not going to be an owner-
5 installed, and it would seem to me that you might
6 be able to put together some generic document that
7 would handle this problem. I don't know, is that
8 beyond handling?

9 MR. MASRI: At this point it is. Again we --

10 CHAIRMAN KEESE: It doesn't fit into the
11 specific wording you have?

12 MR. MASRI: It's a timing question, really.
13 This is great input to come in at the beginning of
14 the process for us as we are designing this. And,
15 again, we are open to all these suggestions as we
16 move forward and see what we can do about it. But
17 to craft your exact language at this point, we
18 would say --

19 CHAIRMAN KEESE: Yes, my answer, Mr.
20 Pellegrini, we can't do committee work here, and
21 this is. I understand your concern, I see a
22 legitimacy to your concern. I think you're going
23 to have to deal with the staff in committee.

24 MR. PELLEGRINI: I guess that as sort of an

1 in between, the way the language is currently
2 drafted, if somebody turned in an application with
3 the equipment purchase agreement, we would reserve
4 the funding, minus the 15 percent. We would at
5 least have that minimum assurance, and then they
6 could request a modification once they got the
7 contract. That would be sort of an interim two-
8 step process. I suppose that would still work
9 under the current process.

10 CHAIRMAN KEESE: Thank you.

11 MR. PELLEGRINI: As long as you have the
12 opportunity to modify the system sizing and cost
13 when you do that claim, that's acceptable. I just
14 wanted to make sure that we were able to actually
15 make the reservation in time.

16 CHAIRMAN KEESE: Thank you. Make sure you
17 keep in contact with staff.

18 MR. PELLEGRINI: Okay. Thank you.

19 CHAIRMAN KEESE: Thank you.

20 Mr. Kelly, thank you for being patient. Mr.
21 Steve Kelly.

22 MR. KELLY: Thank you, Mr. Chairman. Steven
23 Kelly with Independent Energy Producers.

24 And I have comments that actually apply to

1 both the existing and emerging I would like to
2 make. Before I do that though, I would like to
3 thank the committee for the work that they've done
4 on the guidebook revisions particularly. I had
5 stood before the committee a while back speaking
6 specifically to the importance of regulatory
7 consistency and certainty to people that are
8 developing and generating electricity under the
9 guidebooks, and I think the committee did a good
10 job in listening to those comments, and I thank
11 them for that.

12 Regarding the existing and the emerging, I
13 just have a couple observations to bring to your
14 attention. Yesterday I had the opportunity to sit
15 in to the Public Utility Commission's discussions
16 on the RPS limitation, and while fascinating, one
17 of the things that did come out of that was a
18 decision from the Commission to essentially
19 bifurcate procurement going forward and to allow
20 what I'll call a short-term procurement for the
21 period for 2004, which can only, as far as I can
22 tell, be met through the procurement of
23 nonrenewable resources under the language that's
24 in SB 1078. I don't think the utilities will need

1 to meet those 2004 requirements by renewables.

2 What's happening is that incrementally it
3 appears that the next phased procurements are all
4 going to be nonrenewable based. And if that's the
5 case, because of the prescriptions in SB 1078 and
6 so forth, it's going to make it increasingly
7 important that if the State wants to attain and
8 meet the goals of the RPS in 1078, that the only
9 way to meet those goals is to be increasing the
10 production for the existing facilities and the
11 emerging technologies that come on line.

12 Those are the two programs that are live.
13 The new program that you will be implementing soon
14 as the SB 1078 procedures are fully implemented is
15 not likely to occur until 2004. And most of that
16 of a sensitive capacity is going to come on in
17 2005 at the earliest, maybe six or seven. So
18 fundamentally, if you are looking or the State is
19 looking to meet the goals of the RPS, the only way
20 to attain that is going to be through increasing
21 production from the existing facilities.

22 And it makes more important the comments that
23 Bill Carlson and others have made today, that if
24 you want to and need to attain those goals, we

1 have to figure out a way to maximize the
2 production from the existing facilities, because
3 that's the only place that we're going to get
4 anything in the short term. And we ought to be
5 cognizant of the fact that these short-term
6 temporary or interim procurements to meet the net
7 short for the utilities, which is only going to be
8 coming from nonrenewable resources, as far as I
9 can tell, is going to be squeezing out the
10 renewable stuff potentially, so there will never
11 be a place or a room for the renewable
12 procurements to actually take place. I'll just
13 remind you that under SB 1078 there's language
14 that talks about least cost, best fit, and there
15 isn't going to be any best fit if everything is
16 already procured on these interim temporary short-
17 term procurements.

18 So we need to make sure that we can maximize
19 the production for these facilities that are in
20 the existing program. Thank you.

21 CHAIRMAN KEESE: Thank you, Mr. Kelly.

22 Commissioner Geesman.

23 COMMISSIONER GEESMAN: Are we prepared to
24 wrap up?

1 CHAIRMAN KEESE: We have just wrapped up all
2 the public comments. I see a very quiet
3 Commission sitting up here, so you're welcome to
4 take whatever action you'd like.

5 COMMISSIONER GEESMAN: Well, let me say a
6 couple of things. One, I would really like to
7 thank the representatives of the various
8 industries affected by these guidelines for their
9 patience and willingness to contribute to our
10 process. This has been going on for several
11 months. It's been an enormously complex technical
12 challenge, and we have really benefitted from the
13 assistance of the various stakeholder comments
14 that we've received over that period of time.

15 I also want to commend the staff in its
16 responsiveness. This has been a major, major
17 workload for them and they have performed
18 superbly. And also Melissa Jones for making
19 certain that we were able to actually get this to
20 the Business Committee or the business meeting as
21 we had originally scheduled it.

22 I'm told by counsel that because of my
23 participation by phone has not been noticed at the
24 San Joaquin Siting Committee site, that I can't

1 vote, but I would strongly encourage the other
2 members of the Commission to approve the guidebook
3 as submitted. This is an important milestone for
4 our Renewables Program. I think as you heard
5 today, we still have a lot of work left trying to
6 make certain that these guidebooks are kept
7 current as conditions in the market change. But
8 today is an important vote, and I would encourage
9 your approval of the guidebook.

10 CHAIRMAN KEESE: Thank you, Commissioner
11 Geesman.

12 Without delving into it, Counsel and I have
13 had discussions. I believe that since we have
14 three members of the Commission here, we will
15 require you as, were you voting, you would like to
16 vote for this, but I think we'll just postpone the
17 discussion of the other issue until later. With
18 that --

19 COMMISSIONER BOYD: Mr. Chairman.

20 CHAIRMAN KEESE: Commissioner Boyd.

21 COMMISSIONER BOYD: I'd like to just agree
22 with Commissioner Geesman's comments. I'd like to
23 indicate that this has been, even for those of us
24 who have been around a long time, a learning

1 process. And I guess John and I both qualify for
2 having been around a long time in one way or
3 another. It's a dynamic issue, it's a living
4 issue, it's become almost a realtime, just-in-time
5 kind of a process, and you reach a point where you
6 just have to move and make some decisions and keep
7 the ball going down the field, while recognizing
8 we can't walk away from this anymore.

9 And Mr. Kelly's comments, I appreciate what
10 he said. I think earlier in response to one of
11 the open issues, I indicated that we have to watch
12 what's going on out there in the world and watch
13 the actions of some sister and brother agencies as
14 they affect these programs, these overall
15 programs, and we'll have to react to it. That's
16 why it is such a living issue.

17 And I want to commend the job that staff has
18 done for the tremendous effort that they've made.
19 We've sat around together and debated those kinds
20 of issues, and while we haven't -- you know, some
21 of us feel more strongly than others on one point
22 versus the other, we've reached an agreement that
23 we think is best for this point in time.

24 But I would just say that this agency

1 unfortunately strained as it is, having lost what
2 60 positions in the budget crunch and what have
3 you will have to pay more attention to this issue
4 and just keep trying to move the ball down the
5 field as events occur. So we as a committee and I
6 know the staff will do the best we can to react to
7 some of these issues. Some of us are known to be
8 pledged to renewables for years, if not decades,
9 and want to see success.

10 But we have got to get the economics of these
11 situations straightened out and we've got to work
12 more closely with our sister agencies, which we
13 are doing, and letting us know to a greater extent
14 than I believe in history. And maybe that gives
15 us an opportunity to react more quickly. We will
16 do the best we can with this messy situation as
17 long as the sky doesn't fall on us again and we
18 have to crawl out and sort out the issues.

19 So with that, I would like to move approval
20 of the guidebooks and the decision document as
21 modified by the recommendations of the staff
22 today.

23 CHAIRMAN KEESE: Motion by Commissioner Boyd.

24 COMMISSIONER ROSENFELD: I'll second it.

1 CHAIRMAN KEESE: Seconded by Commissioner
2 Rosenfeld.

3 All in favor?

4 (Ayes.)

5 CHAIRMAN KEESE: Opposed?

6 Adopted three to nothing.

7 And thank you, Commissioner Geesman, for
8 turning up for an hour and a half.

9 COMMISSIONER GEESMAN: Thank you, Mr.
10 Chairman, I was glad to participate.

11 CHAIRMAN KEESE: Okay. Consent calendar. Do
12 I have a motion?

13 COMMISSIONER BOYD: I move the consent
14 calendar.

15 COMMISSIONER ROSENFELD: Second.

16 CHAIRMAN KEESE: All in favor?

17 (Ayes.)

18 CHAIRMAN KEESE: Item 2, Energy Innovations
19 Small Grant Program. Possible approval of twelve
20 grant projects from the Public Interest Energy
21 Research program funding for \$899,838.

22 MR. JENKINS: Good morning, Chairman Keese
23 and Commissioners.

24 My name is Alec Jenkins and I manage the

1 Energy Innovations Small Grant Program. And I'm
2 pleased to bring for your consideration twelve
3 EISG grant applications recommended for funding by
4 the R&D Committee, in a field of 72 grant
5 applications that were submitted in this cycle.

6 As you know, the PIER Energy Innovations
7 Small Grants program was developed to provide ease
8 of entry for proposals to establish the
9 feasibility of innovative concepts that fit their
10 mission, concepts good and feasible that may
11 advance to full developmental funding.

12 Probably the best measure of program success
13 are the results from a current survey of our 47
14 prior grant awardees that have completed their
15 projects, With 41 of the 47 awardees having
16 reported to date, we are now seeing that these
17 completed projects have attracted \$40.2 million,
18 compared to the \$3.5 million in awards to these 47
19 projects. That's an 11-to-1 gain. Follow-on
20 developmental funding serves the pure mission
21 regardless of the source, because the grant awards
22 were made to PIER criteria in the first place.

23 The proposed grant applications cover an
24 approach to reduce to an acceptable level the

1 concentration of hydrochloric acid in the steam
2 from California's three major geothermal fields
3 using a method that could lead to a 3 to 5 percent
4 increase in power output over traditional methods.

5 A hydrocarbon additive to IC engines running
6 on natural gas that is likely to improve emission
7 at lean fuel conditions, thus lowering NOX and
8 unburned hydrocarbons. An approach to avoid
9 wasting energy in the large flow of evaporative
10 coolers, such that wall and ceiling surfaces are
11 also cooled before the air is exhausted from a
12 residence. This is based on a concept developed
13 in Norway.

14 An approach to eliminating the gearbox used
15 in most wind turbines. A new sensor technology
16 for a more accurate and rapid measurement of the
17 methane concentration in bio and landfill gas that
18 could allow automated remote operation at electric
19 generation facilities where gas quality varies.
20 Closer control of engine operating conditions are
21 expected to increase generation by 10 to 15
22 percent at those facilities.

23 Stronger, more efficient nano-composite
24 molecular sieve to separate mixtures of CO2 and H2

1 bearing gases for advanced generation cycles and
2 for carbon sequestration. A down-hole hydro
3 approach of generating electricity from the free
4 fall of water into deep geothermal injection wells
5 where the water level in the well casing is
6 several thousand feet below the top of the well,
7 an estimated 25 megawatts of energy can be
8 captured from such facilities.

9 A two-stage bioreaction process to increase
10 the ratio of hydrogen to methane from aerobic
11 digestion, hydrogen rich methane burns cleaner,
12 leaner and more efficiently in IC engine
13 generators. An approach to improving the
14 performance and lower the emissions from porous
15 ceramic burners.

16 A load shedding device small enough to be
17 snapped into a light bulb socket and able to dim
18 the light upon a load shedding signal sent through
19 the wiring of the building. Incandescent lighting
20 is the preferred lighting by shopping centers and
21 for window displays because of its high focus
22 illumination. By using a new process for the
23 self-assembly of very small nano structures, an
24 approach to coating the structure to realize

1 improved photovoltaic performance.

2 These are the twelve grant applications we
3 bring to you for approval for the sum of \$899,838.
4 All are worthy projects that staff recommends for
5 funding and have been approved by the R&D
6 Committee. Thank you. I'd be pleased to answer
7 questions.

8 CHAIRMAN KEESE: Thank you. Very nice
9 presentation.

10 COMMISSIONER ROSENFELD: Mr. Chairman, first
11 it's good to hear about an 11-to-1 funding about
12 the prior. The committee is very comfortable with
13 these grants. The committee Chair, Mr. Grydel,
14 can't be here and he asked me, so I move Item 2.

15 CHAIRMAN KEESE: Motion made by Commissioner
16 Rosenfeld.

17 COMMISSIONER BOYD: I'll second that motion.

18 CHAIRMAN KEESE: Seconded by Commissioner
19 Boyd.

20 Any public comment?

21 Hearing none, all in favor?

22 (Ayes.)

23 CHAIRMAN KEESE: Opposed?

24 Adopted three to nothing.

1 Thank you.

2 Next year I guess we'll hear 15-to-1.

3 Okay, Item 4, State Personnel Board.

4 Possible approval of Contract 200-02-001 Amendment
5 1, for \$134,200 to amend the current contract to
6 include additional funds for testing and
7 validation of the Commission's technical
8 classifications.

9 MS. QUIROZ: Good morning, this item is
10 basically --

11 CHAIRMAN KEESE: For the record, can you
12 state your name.

13 MS. QUIROZ: My name is Lou Quiroz. And this
14 item is to seek the approval of contract with the
15 State Personnel Board to perform a job analysis of
16 various Commission classifications. The results
17 of the job analysis will assist us in putting
18 together the best testing and recruitment method
19 for the cause and will also identify and help
20 develop training contacts, assessment tests to
21 measure effectiveness of training, and to help
22 support the Department of Personnel Services.

23 CHAIRMAN KEESE: Thank you.

24 COMMISSIONER BOYD: I move approval of the

1 item.

2 CHAIRMAN KEESE: Moved by Commissioner Boyd.

3 COMMISSIONER ROSENFELD: Second.

4 CHAIRMAN KEESE: Commissioner Rosenfeld.

5 All in favor?

6 (Ayes.)

7 CHAIRMAN KEESE: Opposed?

8 Adopted three to nothing.

9 Thank you.

10 MS. QUIROZ: Thank you.

11 CHAIRMAN KEESE: Items 5 and 6 have been
12 moved to a later date.

13 Item 7, Energy Conservation Assistance Act
14 Account. Possible approval of a \$1,704,391 loan
15 to the California Department of Mental Health to
16 install premium efficiency motors, et cetera.

17 MR. MILLS: Good morning, Commissioners. I
18 am Daryl Mills from the nonresidential office
19 sitting in for Ron Burma of our office today.

20 The staff is recommending approval of a loan
21 to the California Department of Mental Health for
22 \$1,704,391. These are for projects to be
23 installed at Napa State Hospital. The funds from
24 this loan come from the Energy Conservation

1 Assistance Act Account and/or could come from the
2 proceeds of bonds to be sold through the Consumer
3 Power and Conservation Financing Authority, which
4 is the item previously that we're putting off to a
5 later meeting. The resolution that you'll be
6 signing, should you pass this today, reflects
7 funds coming from either source. So your decision
8 on the bonds does not really affect this loan.

9 The Department of Mental Health has requested
10 financing for energy efficiency improvements in
11 1.5 million square feet a facilities at Napa State
12 Hospital. Energy efficient motors, energy
13 efficient lights, variable frequency drives on the
14 motors, as well as boiler improvements and upgrade
15 of the energy management system throughout the
16 complex is contemplated with this project.

17 The project is estimated to save \$207,000 a
18 year in reduced energy costs. This will payback
19 in about 8.2 years. The project will reduce the
20 kilowatt hours used in the facility by 1.12
21 million kilowatt hours and 100,000 therms as a
22 peak-load reduction from this project of about 200
23 KW. The staff has determined that this request
24 meets all the criteria for the loan. The loan has

1 been approved by the Energy Efficiency Committee
2 and we're here today to get your approval.

3 CHAIRMAN KEESE: Thank you.

4 Mr. Rosenfeld.

5 COMMISSIONER ROSENFELD: Move the item.

6 COMMISSIONER BOYD: Second.

7 CHAIRMAN KEESE: Motion by Mr. Rosenfeld,
8 seconded by Mr. Boyd.

9 Is there any public comment?

10 All in favor?

11 (Ayes.)

12 CHAIRMAN KEESE: Opposed?

13 Adopted three to nothing.

14 Item 8, Order Instituting Rulemaking.

15 Consideration and possible adoption of an Order
16 Instituted Rulemaking to adopt new reporting
17 requirements for PIIR.

18 MS. KATELEY: Go morning. Good morning, Mr.
19 Chairman, Commissioners. I'm Sue Kateley with the
20 California Energy Commission. And if it's
21 possible, could I ask that you take the other item
22 up first, Item 9? It will actually make more
23 sense, trust me.

24 CHAIRMAN KEESE: Well, now that you've

1 explained it to me so clearly.

2 (Laughter.)

3 CHAIRMAN KEESE: We'll take up Item 9,
4 Reporting Requirements. Consideration of possible
5 adoption of an Order requiring refiners, major oil
6 storers, transporters, et cetera, to report.

7 MS. KATELEY: Thank you very much.

8 This item is an order to modify the petroleum
9 industry reporting requirements. The new
10 reporting requirements will be an additional
11 reporting requirement for terminal operators and
12 will increase the frequency of reporting from
13 monthly to weekly for certain sectors of the
14 petroleum industry, specifically, refiners,
15 storers, terminal operators, and transporters.
16 The order does not actually start the reporting
17 requirement.

18 What this order does is it sets forth the
19 process for the reporting requirements to change.
20 The Committee, the Transportation Committee will
21 be delegated authority in this order to conduct
22 the workshops and take public comment on the new
23 proposed forms. That workshop is scheduled for
24 March 18th of this year.

1 Following that, the Committee will make
2 recommendations or approve the staff-recommended
3 forms and we will give those forms to the
4 Executive Director to send out to the industry and
5 they will have a 30-day comment period on those
6 new forms that is actually specified in the
7 current petroleum industry reporting and
8 regulations. And so I'm asking for your approval.

9 CHAIRMAN KEESE: And then I gather we're
10 going to take it --

11 MS. KATELEY: Yes, sir.

12 CHAIRMAN KEESE: To formalize that process;
13 is that correct?

14 MS. KATELEY: Yes, sir.

15 COMMISSIONER ROSENFELD: I move Item 9

16 CHAIRMAN KEESE: Motion by Commissioner
17 Rosenfeld.

18 COMMISSIONER BOYD: Second.

19 CHAIRMAN KEESE: Second by Commissioner Boyd.

20 Any public comment?

21 I do understand that the industry is
22 generally supportive of the steps we're taking.

23 MS. KATELEY: The process, that they're
24 concerned about the amount of reporting and we

1 intend to work very closely with them and help
2 them to make this work for them.

3 CHAIRMAN KEESE: Thank you.

4 COMMISSIONER BOYD: We have one letter filed,
5 Mr. Chairman, without getting into detail, of the
6 support from the staff and the process.

7 CHAIRMAN KEESE: All in favor?

8 (Ayes.)

9 CHAIRMAN KEESE: Opposed?

10 Adopted three to nothing.

11 And then we've already announced Item 8, an
12 OIR.

13 Do I have a motion?

14 COMMISSIONER BOYD: Moved.

15 CHAIRMAN KEESE: Motion by Mr. Boyd.

16 COMMISSIONER ROSENFELD: Second.

17 CHAIRMAN KEESE: Seconded by Commissioner
18 Rosenfeld.

19 All in favor?

20 (Ayes.)

21 CHAIRMAN KEESE: Opposed?

22 Good luck.

23 MS. KATELEY: Thank you very much.

24 CHAIRMAN KEESE: Committee oversight?

1 MS. MCCANN: Wait, what about the minutes?

2 CHAIRMAN KEESE: Oh, it disappeared on the
3 bottom of the page.

4 Do I have a motion on the minutes?

5 COMMISSIONER ROSENFELD: Move.

6 COMMISSIONER BOYD: Second.

7 CHAIRMAN KEESE: Motion by Commissioner
8 Rosenfeld, seconded by Commissioner Boyd.

9 All in favor?

10 (Ayes.)

11 CHAIRMAN KEESE: Opposed?

12 Adopted three to nothing.

13 Chief Counsel's Report is before you. The
14 Chief Counsel did give us a written report on the
15 Metcalf case. For those of you who weren't here,
16 which is my other fellow Commissioners today, we
17 prevailed in good manner. I would just commend
18 the General Counsel for having anticipated this
19 issue when there was legislation adopted changing
20 the Public Utility Commission rules, but not
21 affecting the Energy Commission, except that our
22 code referenced the PUC Code.

23 And at General Counsel's recommendation, we
24 had legislation adopted, introduced and adopted,

1 in 2001 which reinstituted our practice which is
2 appeal to the Supreme Court only. And with that
3 foresight, it simplified our process. So
4 congratulations for steering us clear of that
5 thing.

6 MR. CHAMBERLAIN: Thank you, Mr. Chair. I
7 have no further report today.

8 CHAIRMAN KEESE: Executive Director's Report.

9 MR. THERKELSON: Good morning, Commissioners.

10 I have a few quick things on the budget. Our
11 budget process is about ready to begin. The first
12 hearing is going to be before the Assembly Budget
13 Committee, and right now that is scheduled for
14 March 5th. The Senate budget hearing is scheduled
15 for the 1st of May. Both of those are likely or
16 possibly will change as we go through the process.

17 The Legislative Analyst's budget report is
18 due out today. Right now we anticipate three
19 items that will be dealing with us. One deals
20 with FERC coordination. Right now there are
21 several State agencies involved in coordinating
22 comments from FERC on various energy issues. The
23 LAO appears to be recommending that those agencies
24 coordinate with one another, perhaps preparing an

1 MOU to identify their different roles and
2 responsibilities. And they are also suggesting
3 that maybe there ought to be a leader amongst the
4 agencies in terms of coordinating with FERC.

5 The second issue deals with the Energy
6 Electricity settlement funds coming from the
7 Attorney General's office. In that case, the LAO
8 is going to be recommending that the legislature
9 have some oversight into not only those funds but
10 how they're used in the future, possibly also in
11 the present.

12 And then, thirdly, they're going to raise the
13 issue of siting fees. Our understanding is
14 they're going to recommend that there be some cost
15 sharing on the siting fees between both the
16 ratepayers and the generators. I expect the
17 latter issue will probably be the one that is most
18 discussed during our budget hearings.

19 In terms of the other budget item of concern
20 is travel funds. As you are aware, the Department
21 of Finance provided some or I should say the
22 Governor's office provided some direction in terms
23 of reducing travel funds. We've been seeking
24 clarification from the Department of Finance on

1 what exactly that means. And we expect that
2 clarification to come later today, so we will be
3 sharing that with you and the rest of the staff as
4 well, we will communicate that.

5 That is all I have at the moment.

6 CHAIRMAN KEESE: Thank you. And as I've
7 observed, I would just mention for my fellow
8 Commissioners, is that I have observed a
9 significant part of our travel's been,
10 particularly the Commissioners, in conjunction
11 with the siting cases, which are a rather high
12 priority, and to think that we would forego in
13 conducting siting cases from our account budget.

14 MR. THERKELSON: We have raised that issue
15 with the Department of Finance. A number of our
16 expenditures are related to regulatory programs,
17 not just siting cases, but, you know,
18 participating in proceedings before the PUC, other
19 regulatory actions as well. And we need to have
20 clarification on how that fits into the --

21 CHAIRMAN KEESE: I think that is very
22 important. I believe that the Commission should
23 meet the goals of reducing costs that all State
24 agencies are meeting. I believe that this

1 particular area, we should vigorously pursue an
2 exception.

3 COMMISSIONER BOYD: I would think there would
4 be some discretionary funds, some discretion, that
5 the Executive Director could impress upon the
6 Department of Finance.

7 CHAIRMAN KEESE: Public Advisor's report?

8 MS. BOS: No report.

9 CHAIRMAN KEESE: Any public comment at this
10 time?

11 Hearing none, this meeting is adjourned.

12 (Thereupon the California Energy
13 Commission Business meeting was
14 adjourned at 11:45 a.m.)

1 CERTIFICATE OF SHORTHAND REPORTER

2 I, MICHAEL J. MAC IVER, a Shorthand
3 Reporter, do hereby certify that I am a
4 disinterested person herein; that I reported the
5 foregoing California Energy Commission proceedings
6 in shorthand writing; that I thereafter caused my
7 shorthand writing to be transcribed into
8 typewriting.

9 I further certify that I am not of
10 counsel or attorney for any of the parties to said
11 California Energy Commission proceedings, or in
12 any way interested in the outcome of said
13 California Energy Commission proceedings.

14 IN WITNESS WHEREOF, I have hereunto set
15 my hand this 6th day of March 2003.
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17
18
19
20

21 Michael J. Mac Iver
22 Shorthand Reporter